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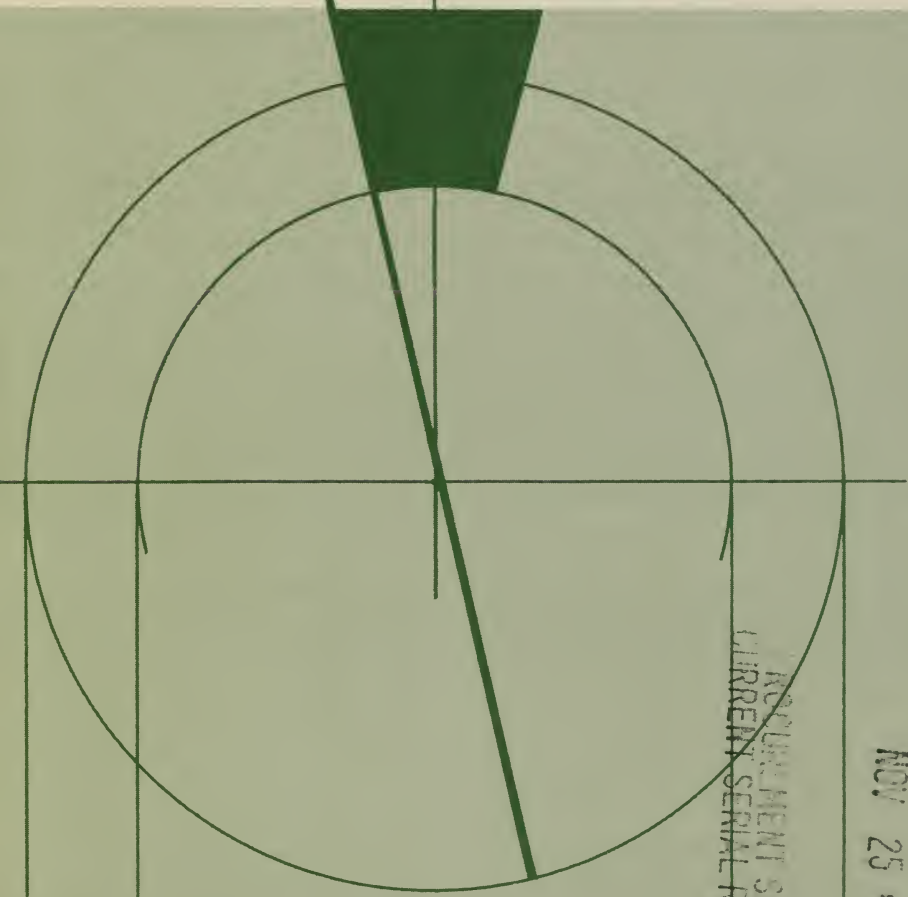
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# STRENGTHENING COOPERATIVE MEMBER INTEREST AND SUPPORT

By Irwin W. Rust and  
Oscar R. LeBeau



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The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, merchandising, product quality, costs, efficiency, financing, and membership.

The Service publishes the results of such studies, confers and advises with officials of farmer cooperatives, and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

## Foreword

This circular is based on information developed during the 1965 series of member relations conferences sponsored jointly by the Farmer Cooperative Service and the American Institute of Cooperation. The theme of the conferences was "Improving Member and Community Support for Cooperatives."

This circular is intended to stimulate thinking rather than provide answers to specific problems. Most of the material was taken from speeches given at the 1965 member relations conferences. The following leaders presented many of the ideas expressed herein.

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# STRENGTHENING COOPERATIVE MEMBER INTEREST AND SUPPORT

by Irwin W. Rust and Oscar R. LeBeau  
Membership Relations Branch  
Management Services Division

Developing member interest and support is the Number 1 job of cooperative management and directors.

Why?

Because member interest is the single most important element in cooperative success. It is the bond that develops loyalty to the organization and to its objectives. It is the wellspring of support.

Because member support is the very essence of cooperative business, it consists of much more than merely patronizing the business and reaping the financial benefits. It includes personal involvement in building the cooperative into a force that influences the growth, development, and business climate of a community--and helps shape the future of agriculture.

## Increasing Member Interest

“Membership interest,” according to one cooperative manager, “is an understanding of the purpose for which the cooperative was organized. It is familiarity with the means whereby these objectives are to be accomplished. It is conviction that by working together on these objectives every member will benefit.

“How can a cooperative be attractive to new members unless our membership is interested and enthusiastic about it? How can we influence others in the community--or our legislatures--unless membership is interested and enthusiastic?”

## **Building Pride in Ownership**

Making members aware of what ownership really means--even glamorizing it--is one of the best ways to increase interest.

It is important that each cooperative member be aware that he is not just a patron or a customer, but a part owner of the business. As an owner, he has a voice in the business operation and the bargaining power that goes with mass buying or selling.

Building pride of ownership starts with the manner in which a member is brought into the organization. A potential member should be personally invited to membership. The purpose of the cooperative and the way it operates should be carefully explained to him. This personal contact could be the most important single contact ever made with the member. It can lay a sound foundation on which to build member interest.

“However,” says one cooperative leader, “after obtaining a new member, our job does not end. We still have our old members, and even the new members become old members after a few years. We need, therefore, to continue our public relations contact with him.

“Giving members a job to do, such as working on a committee, is very good. Contact can also be maintained through newsletters and other communication media and through meetings.

“The annual meeting should be considered as an opportunity to renew member interest. The year’s business should be reviewed in a manner interesting to member owners, in terms of the needs and services we fulfill that are of the most interest to them.”

But what about a cooperative in which most of the members have very little pride of ownership?

An educational program may be the answer.

One cooperative in this position is carrying out a program to build a feeling of pride in ownership of common stock. First the cooperative surveyed its members to find what they actually knew about their business and what they thought their cooperative could and should do. It found what problems were disturbing the membership. It then built an educational program accordingly.

The program started on a small scale with 50 farmers in 2 townships. Results were noticeably beneficial--both to members and to management. Members learned how their cooperative works and their part in its control. Management was brought up to date on members' needs.

## Creating A Good Business Image

To interest new members and hold old ones, a cooperative must be a topnotch merchandiser of goods and services. Its business efficiency, therefore, must keep abreast of the times.

"The needs of members can be used as a guide to merchandise goods," one cooperative leader points out. "Recognition of this fact creates interest. In addition, we should be alert to provide the services that a cooperative can provide more cheaply and more efficiently than a farmer can acquire them as an individual.

"In addition to merchandising in the ordinary sense of the word, cooperative management should provide sound technical recommendations. And it should never sell supplies of questionable merit.

"All of this creates interest based on business judgment and confidence, not on ideology alone."

Another facet of the business image is the cooperative's staff of employees. Patrons may evaluate the whole organization on a single contact with an individual employee. If top management has the welfare of its employees in

mind their attitudes toward the cooperative will usually be good. Such employees will convey this feeling to members in turn.

## Appealing to Youth

Young people are tomorrow's cooperators. The future of agricultural cooperatives will be determined largely by the attitudes, participation, and leadership of the younger men and women who are farming now, as well as the youth who will become tomorrow's farmers.

These young people are the ones who will be buying agricultural supplies and selling agricultural products in the years ahead. They will be more inclined to buy and sell through cooperatives tomorrow if they become familiar with cooperative business principles today. They must be taught the benefits that can accrue from patronizing cooperatives, and from assuming leadership roles in them.

There is an immediate need to appeal to young farmers now in cooperatives.

In many cooperatives there is growing concern about the lack of involvement of younger members. In some, the average age of boards of directors is increasing each year. Consequently, more and more cooperative policy makers are farmers who are no longer expanding their farm businesses; some are even reducing the scope of their operations.

Cooperatives have initiated various programs designed to interest and educate youth.

For example, one association has a program aimed at developing young leaders. A select group of members 21 to 35 years old--all actively engaged in farming--is being given special training and education.

Another cooperative spends about \$25,000 yearly on a statewide effort to reach future farmers still in high school. The heart of this effort is a county-oriented program which in a recent year reached 4,000 young people in 71 counties.



The county program consists of: (1) A conference that takes place in one afternoon and evening; (2) tours of local or statewide cooperative facilities; and (3) visits by county management personnel to high school vocational agricultural departments to instruct a class or to present visual displays.

A county conference usually starts with a general assembly at which slides, movies, or other visuals are shown or top cooperative people speak. Following the assembly, cooperative staff members instruct small groups. Activities are climaxed in the evening by a banquet with an outstanding speaker.

Following is a sampling of other activities cooperatives are carrying out to interest youth.

- Giving agriculture students a part in the annual meeting program--either in providing entertainment or in presenting educational projects.

- Recognizing outstanding accomplishments of FFA and 4-H members with trophies, trips, tours, and other awards.

- Arranging tours of cooperative facilities for student groups.

- Making key cooperative employees available to instruct high school classes in vocational agriculture at one or more sessions on cooperatives.

- Assisting in the organization of student cooperatives. One such cooperative now produces and markets certified seed. Members are discovering firsthand the value of doing business the cooperative way.

- Sponsoring a week-long Youth Camp for outstanding 4-H, FFA, and FHA youths. Camp activities provide youths both recreation and cooperative education.

- Awarding scholarships to deserving college students.

- Participating in college summer intern programs for students enrolled in agriculture. Selected students are assigned to a cooperative for summertime work experience. The student earns as he learns.

- Furnishing cooperative literature and other teaching materials to high school agricultural departments.

- Providing fertilizer, herbicides, pesticides, soil testing for high school vocational agriculture test plots.
- Employing high school youth on a part-time basis to provide first-hand experience.
- Organizing a student board of directors in the local cooperative.

## Other Interest Builders

• Annual Meeting--Most cooperatives need to do something to improve their annual meetings. This includes such elementary measures as starting on time, ending on time, using visual aids wherever possible, having the best possible meeting place, good lighting, an efficient public address system (if one is needed), and comfortable chairs.

In addition:

- Invite business people and other community leaders to your annual meeting. Invite young people. Make an effort to persuade wives of cooperative members to attend; they are a great source of strength and support.
- Provide a first-rate lunch or dinner.
- Make the invitation to the meeting something special--more than a businesslike note sent through the mail. Consider running an ad in the local newspaper or using radio items. Use a telephone committee to call every member. Arrange transportation to the meeting if necessary.
- Work out a lively program. Try a panel discussion where key employees are freely questioned about the cooperative business by a group of member delegates. Or find other ways to dramatize the information to be presented.

• Annual Report--Use the annual report as an educational tool. Mail it or hand it to every member. Include with it a letter of comment on operations and plans for the next year.

Distribute the report up and down Main Street . . . to vocational agricultural teachers . . . county agents . . . and anyone else who should know what this community business is doing.

Praise Where Due--Recognize and honor those who deserve special commendation for their good work for the cooperative.

Says a public relations director, "I've seen directors, who've served many years, step down or get defeated, and the cooperative has failed to offer even a simple 'thank you' in public. This is tragic. We must not miss an opportunity to recognize contributions by members to the cooperative. It is an unbeatable stimulus for continued involvement by the members."

Cooperative "Specials"--Team up with other cooperatives in the community to dramatize the cooperative story.

For example, nine local cooperatives in one town banded together for a big Cooperative Day. They put on a parade with their combined mobile equipment, held open house at each place of business, served free pancakes and sausages. It was a real success in focusing community attention on the role of cooperatives.

You might want to: Try a Ladies' Day at the cooperative business establishment. Give a Products Show. Have a social get-together when a new manager takes office.

## Strengthening Member Support

If there is any weakness in the development of strong cooperatives in the United States, it probably is in the lack of effective support given them by some members or patrons.

So believes one authority who has studied cooperatives in this country and in Western Europe. He says:

"The reason for this lack of support lies, at least partly, in the lack of effectiveness in involving members to the point that they are something more than patrons. Let me make clear the difference. A member of a cooperative actively participates in building cooperative morale, spirit, and loyalty. A patron is not thus involved; rather he simply gains the benefits of the services and his patronage refund check. Effective support comes from member involvement."



How can a cooperative involve its members? What motivates members to become "something more than patrons?"

Some suggestions for strengthening member support are given in the ideas of cooperative leaders excerpted below.

## **Know How Groups Function**

Often lack of support from a group stems from failure to fully comprehend how groups function and what to do to make them function successfully.

People become members of groups because they come to expect results. They become loyal or conforming members because of what the group expects of them. The right and opportunity to initiate ideas and discuss proposed action stimulate support and loyalty to the group.

"Farmers learn about cooperatives in their local primary associations. One thing they learn is that the cooperative provides ownership by users who control its functions through which earnings are divided in proportion to use and by means of which greater social, educational, and community values are realized.

"They soon learn that control must be delegated; they come to feel that delegates should report back to them; and that from time to time they should expect to have a direct voice, if only a vote of confidence.

"If they discover that one mass meeting a year for all members gives them little voice, this discourages attendance, for discussions cannot be very lively and no one can propose a completely new course of action which the management has not already thought of. Thus they lose interest, fail to vote, and simply become patrons only."

## **Accent Member Relations**

"A large percentage of today's farmers were not farming in the 20's and 30's, a period when American agriculture experienced a 'cooperative population explosion.' The bulk of today's members have not experienced the 'inside' feeling which comes from involvement and the voluntary assumption of responsibilities."

A dynamic member relations program can do much to give members that "inside" feeling that makes them want to become involved. It can help offset the bigness of many of today's cooperatives--bigness that often makes a member feel less "needed."

There needs to be a continuous two-way flow of information between management and members. If members are to accept their responsibilities they must know what they are and, for the most part, it is up to management--the directors and staff--to inform them. For example, if management wants member support for recommended changes it must find an effective way of informing members of them.

Failure to communicate with members will often result in their not accepting recommendations. This can certainly happen if there is a tendency to take too much for granted, to expect people to understand because it appears obvious. Where there are gaps left in explanations, these gaps may be filled with the wrong information. Certainly whenever explanations are incomplete there is room for doubt and suspicion.

It is important that members know what facilities they own and control. Open houses, tours, slide illustrations of facilities or operations bring a cooperative closer to its members.

## **Run the Business Efficiently**

Obviously, the primary reason for patronizing a cooperative is economic. The original reason for forming agricultural cooperatives was to improve the economic position of the member. This remains their prime objective today.

To serve the farmer today, cooperatives are adjusting to the rapidly changing world. Says one cooperative president, "This may involve rethinking some of our principles and reconstructing some of our practices.

"We must be willing to make changes in our cooperatives so they will be better able to cope with today's changing economy. Cooperatives need to be larger so they will have control over a larger volume.

"We must hire people to run our organizations who are capable of running big business. We need to find personnel qualified to do the kind of a job we want done. And we must be willing to compensate that type of leadership adequately.

"We must be well financed so we can buy adequate equipment, instead of trying to run a business with buildings and equipment long outdated.

"We need to be aware that only the open, inquiring mind can cope with the problems that confront us today. Instead of being suspicious of new ideas we need to place a question mark on many old ideas."

Speaking of adequate financing, another cooperative president says, "The maximum economic return can be provided to the member when the cooperative has an adequate amount of permanent capital. Then net margins of the cooperative can be returned to the member in the year in which earned."

This man believes that inadequate capitalization has been one of the great weaknesses of cooperatives.

He also points out that many cooperatives have been built entirely on margins retained from doing business with members. Under such circumstances members may scarcely be aware that they have an investment in the cooperative. And the cooperative, since it has built its own capital, recognizes little or no obligation to those from whom the capital was obtained.

Federal income laws, however, say the patron must give his consent if he agrees to receive noncash allocations into his current income. And he must determine for himself that part of the patronage refund derived from purchases of personal living or family expenses so that he can treat that portion of his patronage refund as a price adjustment--not as income.

Thus, by virtue of a tax statute, member-patrons should become increasingly aware of the extent and nature of the investments they are making in their cooperatives.

Another cooperative representative has this to say about member investments:



“Let us de-emphasize the patronage refund and emphasize the investor-member. The theory behind the thought is that if the farmer wants reasonable assurance of a market and one in which he has a voice, then he is obligated to invest in that market, with the expectation of realizing a return on that investment just as he expects one on the money invested in his cows, hens, or total farm.

“Increasing numbers of farmers are planning for the market before going into production. Why shouldn't they plan market investments and returns as they plan production investments and returns?”

## Up-Date Services

Cooperatives can be credited with leadership in initiating a great many new services for the benefit of farmers. In fact, many cooperatives have been started because the founders have wanted a given service at a given time and place.

But today change is taking place so rapidly that a particular service may be outmoded in a very short time. To receive continued support from its members, the cooperative needs to make a continued and determined effort to up-date its services.

Keeping up with the times in service means keeping ahead of the times through research.

For example, as one research specialist points out, farmers may require a more individualized service in the future--as economic pressures cause them to pay more attention to the wide range of factors which can make the difference between profit and loss.

“Those who serve farmers in the future will need to gear their programs and facilities to fit the individual and the peculiar needs of a specific farm business unit, separate and apart from the other farms down the road. No longer will cooperatives be able to serve and sell and service in mass.

“Like others in the research field, I personally feel that continued and determined effort on the part of the

cooperative to up-date services to farmers remains our big opportunity and is among the more important methods of motivating continued member support. I sincerely question whether our cooperatives are performing as they should in research--not only in commodities, but in the associated services such as markets, finance, communication, personnel, facilities, policies, objectives, and so on. Cooperatives have not exploited their unique position and the possibilities of joint research effort."

## Don't Overlook the Little Things

Little things about the way a business is run are not always minor matters. They can help build member support--or tear it down.

"We all like courteous treatment; therefore, we are motivated to patronize places where courtesy is extended.

"We like prompt service; therefore, we patronize places where prompt service and attention are given.

"We like attractive surroundings, a well-kept, orderly business appearance; therefore we will patronize places that are attractive in keeping with their purpose--where the supplies are well kept and in orderly array.

"We patronize places where obvious good business principles and practices are employed--where we feel that the records will be properly kept and all procedures will be in an appropriate and proper balance."



## Other Publications Available

Assuring Democratic Election of Cooperative Directors. Educational Circular 21. Irwin W. Rust.

Creating Training Programs for Cooperative Directors. Educational Circular 22. Irwin W. Rust.

Using Cooperative Directors To Strengthen Member Relations. Educational Circular 23. Irwin W. Rust.

What Cooperative Members Should Know. Educational Circular 24. Irwin W. Rust.

Directors of Cooperatives and Their Wives--A Good Member Relations Team. Educational Circular 25. Irwin W. Rust.

Managing Farmer Cooperatives. Educational Circular 17. Kelsey B. Gardner.

Improving Management of Farmer Cooperatives. General Report 120. Milton L. Manuel.

Directors of Regional Farmer Cooperatives--Selection, Duties, Qualifications, Performance. General Report 83. David Volkin, Nelda Griffin, and Helim H. Hulbert.

Bylaw Provisions for Selecting Directors of Major Regional Farmer Cooperatives. General Report 78. Helim H. Hulbert, David Volkin, and Nelda Griffin.

"Mr. Chairman--" Information 6.

Membership Practices of Local Cooperatives. General Report 81. Oscar R. LeBeau.

Making Member Relations Succeed. Information 32. Irwin W. Rust.

A copy of each of these publications may be obtained upon request while a supply is available from--

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